

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 284

March 2, 2013

SUMMARY OF BILL: Beginning with the 2013-14 academic year, requires the current state share of health insurance premiums, paid on behalf of instructional positions, be funded from the Basic Education Program (BEP) funding formula based on the full cost of 12 months of premiums.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$57,632,000

Increase Local Revenue - \$57,632,000

Assumptions:

- Currently, the BEP formula calculates insurance premiums on a 10-month schedule.
- Based on the BEP payment calculation for FY12-13, the Department of Education and the Comptroller of the Treasury estimate that the increase in state expenditures to move to a 12-month payment schedule will increase state BEP expenditures, which are made to local governments, by \$57,632,000 annually.
- The recurring increase in local government revenue is estimated to be \$57,632,000.
- There will be an increase in the BEP required local match; however, all LEAs currently contribute above their required BEP match. As a result, DOE estimates that there will be no increase in local government expenditures as a result of this change.
- LEAs are currently paying 12 months of health insurance premiums for their employees.
- The additional funding provided to local governments may cause a shift of local funding to other budgeted items. Any such shift is estimated to be an unknown amount up to \$57,632,000.
- The maintenance of effort provision for education funding in current law will prevent LEAs from reducing local expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/msg